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1970 ANNUAL REPORT

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA

105 Main Street East, Hamilton 20, Ontario, Canada

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**INCOME**  
DISABILITY AND  
REINSURANCE  
COMPANY OF  
**CANADA**



Head Office

105 Main St. E., Hamilton 20, Ontario

For the Six Months Ended  
Interim Report to Shareholders  
June 30, 1970

By Order of the Board,

F. PAUL KEEFE,  
Secretary.



## TO OUR SHAREHOLDERS:

Net income for the six months ended June 30, 1970, amounted to \$71,174 or 29c per issued and outstanding share as compared to a loss of \$58,896 or 24c per issued and outstanding share for the same period in 1969. This represents a net improvement of \$130,070 or 53c per share. Total assets increased from \$3,632,979 as at June 30, 1969, to \$4,356,920 as at June 30, 1970, for a gain of 19.9%.

During the six month period covered by this report, premium income increased 32.6%, investment income increased 23.6% while operating costs increased only 9.1%.

Your Directors expect that operations in the last half of the year will continue at a satisfactory level.

CHARLES P. FLOOD,  
President.

July 28, 1970

## STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 1970 (unaudited)

	1970	1969
<b>INCOME</b>		
Premiums	\$ 887,279	\$ 669,107
Investments	121,443	98,218
	<u>1,008,722</u>	<u>767,325</u>
<b>OPERATING COSTS</b>		
Claims	220,093	242,616
Increase in policyholder reserves	158,870	151,489
Premiums transferred to segregated funds	70,851	30,330
Commissions and advances	169,703	136,285
Premium taxes	16,328	12,776
Other operating costs	255,269	243,225
	<u>891,114</u>	<u>816,721</u>
<b>NET INCOME before extraordinary items and taxes</b>	<u>117,608</u>	<u>(49,396)</u>
Less: Extraordinary items (Note)	<u>23,634</u>	—
<b>NET INCOME before taxes</b>	<u>93,974</u>	<u>(49,396)</u>
Provision for income taxes	22,800	9,500
<b>NET INCOME for the period</b>	<u><u>71,174</u></u>	<u><u>(58,896)</u></u>
<b>Note:</b>		
Extraordinary items		
Adjustment of prior year's policyholders' reserves (net of income taxes)	\$ 9,499	
Conversion of contingent liability to actual liability relating to prior year	64,135	
Cash proceeds from life insurance contract	(50,000)	
	<u>\$ 23,634</u>	

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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TAKE NOTICE that the Annual Meeting of the Shareholders of Income Disability and Reinsurance Company of Canada will be held at the Holiday Inn, 150 King Street East, Hamilton, Ontario, Canada, in the Victoria Albert Room, on Wednesday, the 14th day of April, 1971, at the hour of 11:00 o'clock in the forenoon, Eastern Standard Time, for the purpose of

- (a) Receiving and considering the annual report containing the financial statement made up of a statement of profit and loss, a statement of surplus and a balance sheet, together with the report of the auditors;
- (b) Electing directors and authorizing remuneration;
- (c) Appointing auditors and authorizing the directors to fix their remuneration;
- (d) Transacting such further or other business as may properly come before the meeting, or any adjournment thereof.

DATED AT HAMILTON, Ontario, this 16th day of March, 1971.

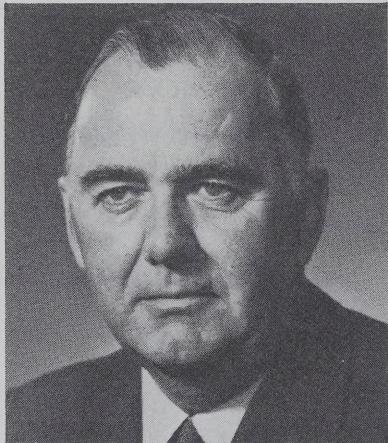
By Order of the Board,



F. PAUL KEEFE,  
Secretary.

## PRESIDENT'S REPORT TO THE SHAREHOLDERS

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Net profit before income taxes in 1970 amounted to \$262,301 or \$1.07 per share, as compared to \$15,555 or 6c per share in 1969. After tax profit in 1970 was \$188,801 or 77c per share, compared to a loss of \$7,095 in 1969. The 1970 figures exclude an extraordinary gain of \$50,000 or 20c per share.

Gross first year premium income during 1970 increased to a record \$652,000. Our overall net premium income during the year was up 17.9% to \$1,866,573 and has more than doubled in the last four years. Our 1970 results are even more impressive in that they were attained during the implementation of a cost control program that reduced the costs of acquiring

new business by 30.3%. Our growth in premium income, coupled with reduced costs, is one of the major reasons for our substantially higher earnings.

A 31.8% increase in our investment income constitutes another major factor in the Company's increased earnings in the year 1970. We began the year in a strong short term money position and then substantially increased our position in bonds and mortgages. Since this preceded a general reduction in interest rates, our investment portfolio was enhanced by both yield and capital appreciation.

Looking forward to 1971, group business alone, written or pending in the first two months, amounts to about \$330,000 of annualized premium. This represents 50% of our entire 1970 production. In addition, volume on existing group and individual cases continues at a steady rate and expansion of our dual licensing arrangements with Planned Investments Corporation of Montreal should result in a substan-

tial increase in new business from that source. More than 40 of their representatives are now licensed with our Company and are selling our plans.

Early in 1970, we were shocked and saddened by the passing of our Founder and President, William E. Brunning. This tragic and unexpected event was a severe loss to us and it is a measure of how effectively he built that Company affairs continue to go forward.

During 1970 our more than 1,200 Shareholders and Warrantholders had occasion to express their loyalty and support to the Company and its Management. For this, may we express our appreciation and thanks.

Submitted on behalf of the Board.

*Charles P. Flood*

CHARLES P. FLOOD,  
President.

March 16, 1971.

THE YEAR 1970 AT A GLANCE

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	1970	1969	Change
<b>EARNINGS (excluding extraordinary gains)</b>			
Profit Before Income Taxes . . . . .	\$ 262,301	\$ 15,555	+ \$246,746
Per Issued and Outstanding Share . . . . .	1.07	.06	+ 1.01
Profit After Income Taxes . . . . .	(188,801)	(7,095)	+ 195,896
Per Issued and Outstanding Share . . . . .	.77	(.03)	+ .80
<hr/>			
<b>NEW BUSINESS</b>			
Gross First Year Premium . . . . .	652,000	609,000	+ 7.1%
First Year Acquisition Costs . . . . .	253,000	363,000	- 30.3%
<hr/>			
<b>REVENUE</b>			
Premium Income . . . . .	1,866,573	1,583,226	+ 17.9%
Investment Income . . . . .	257,863	195,704	+ 31.8%
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<b>FINANCIAL</b>			
Assets . . . . .	4,563,645	4,021,234	+ 13.5%
Capital and Surplus . . . . .	2,838,915	2,647,078	+ 7.2%
Net Asset Value Per Share . . . . .	11.54	10.76	+ 7.2%
<hr/>			
<b>OTHER</b>			
Total Life Insurance in Force . . . . .	78,816,782	32,172,358	+ 145.0%
Number of Policyholders . . . . .	25,494	17,468	+ 45.9%
Net Interest Rate . . . . .	6.77%	5.62%	+ 20.5%
Dividends . . . . .	20c	20c	-

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A Dividend of 12c per share will be paid April 30, 1971 to Shareholders of record as of April 1, 1971.

**INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA — BALANCE SHEET**

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**ASSETS**

	1970	1969
<b>Investments—(Note 1)</b>		
Bonds and debentures . . . . .	\$1,908,792	\$1,319,894
Common and preferred shares . . . . .	571,444	582,421
Mortgages . . . . .	972,381	858,097
Interest-bearing cash deposits . . . . .	526,184	836,107
	<hr/> 3,978,801	<hr/> 3,596,519
 Accrued interest . . . . .	51,978	26,477
	<hr/> 4,030,779	<hr/> 3,622,996
 Cash . . . . .	12,342	19,187
Outstanding premiums receivable . . . . .	81,502	43,953
Amounts due from reinsurers . . . . .	33,533	45,467
Other admitted assets , . . . . .	12,193	72,305
Segregated fund assets—at market value . . . . .	393,296	217,326

Signed on behalf of the Board:

CHARLES P. FLOOD, Director

N. J. BLAIR, M.D., Director

\$4,563,645

\$4,021,234

MEET AS AT DECEMBER 31, 1970

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LIABILITIES, CAPITAL AND SURPLUS

	1970	1969
Actuarial reserve for life contracts . . . . .	\$ 108,694	\$ 58,851
Provision for unearned premiums . . . . .	96,639	101,728
Provision for unpaid and unreported claims . . . . .	682,919	517,149
Provision for policyholder obligations . . . . .	359,951	360,786
Premiums paid in advance . . . . .	22,579	14,457
Premium taxes payable . . . . .	14,360	17,844
Income taxes payable . . . . .	62,066	22,650
Other liabilities . . . . .	106,026	182,935
	<hr/> 1,453,234	<hr/> 1,276,400
Policyholder interest in segregated fund . . . . .	271,496	97,756
	<hr/> \$1,724,730	<hr/> \$1,374,156
Capital and surplus (Notes 2, 3 and 4)		
Capital stock—Authorized 1,000,000 shares of \$5 par value each —Issued 245,970 shares . . . . .	1,229,850	1,229,850
Investment reserve (Note 1) . . . . .	89,845	80,843
Equity in segregated fund . . . . .	121,800	119,570
Surplus . . . . .	1,397,420	1,216,815
	<hr/> 2,838,915	<hr/> 2,647,078
	<hr/> \$4,563,645	<hr/> \$4,021,234

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1970

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1. INVESTMENTS

Bonds and stocks are valued at cost or amortized cost. The value at which these securities are carried is \$172,160 more than market value at December 31, 1970 and \$268,907 more than market value at December 31, 1969.

The investment reserve has been calculated in accordance with the insurance laws of Canada.

2. CAPITAL STOCK

Under a Voting Trust Agreement, 245,520 of the 245,970 common shares of a par value of \$5 each are deposited pursuant thereto. The Voting Trust Agreement confers upon the trustees the power to exercise all voting rights for shares held within the voting trust. The voting trust expires December 31, 1975.

3. SHARE PURCHASE WARRANTS

154,720 share purchase warrants are outstanding and must be exercised on or before December 31, 1975 at the following prices per share:

\$14.00 until December 31, 1972

\$16.00 thereafter and until December 31, 1975

4. OPTIONS TO PURCHASE SHARES

The company has 63,413 shares reserved for options as follows:

	Greater of 85% of Market Value or		
	\$7.50	\$12.00	Total
Earned or granted . . . . .	9,934	13,535	23,469
Balance available . . . . .	30,179	9,765	39,944
Total shares reserved . . . . .	40,113	23,300	63,413

Options at the greater of 85% of market value or \$7.50 are available to sales personnel only.

All options may be earned or granted on a formula established by the Board of Directors and these must be exercised upon certain dates specified by the Board but not later than December 31, 1975. No options were exercised during the year, however, a total of 5,447 lapsed.

5. RESTATEMENT OF 1969 FIGURES

As required by the Federal Department of Insurance, the company increased its 1969 policyholder reserves net of income taxes by \$13,365 and converted a contingent liability of \$64,135 to an actual liability at December 31, 1969. All statements have been restated to reflect these changes.

6. EXTRAORDINARY ITEM

The company received \$50,000 from a life insurance policy owned by the company on the life of its late president.

7. CONTINGENT LIABILITIES

The company has guaranteed a bank loan of an insurance agency in the amount of \$25,000 and has other contingent liabilities of approximately \$25,000.

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA

SUMMARY OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1970

INCOME	1970	1969
Premiums . . . . .	\$1,866,573	\$1,583,226
Investments . . . . .	257,863	195,704
Net gain (loss) on sale of investments . . . . .	15,530	(5,725)
	<hr/>	<hr/>
	2,139,966	1,773,205
OPERATING COSTS		
Claims . . . . .	517,064	485,807
Experience rating refunds . . . . .	252,777	13,546
Premiums transferred to segregated funds . . . . .	152,433	87,941
Increase in policyholder reserves . . . . .	154,610	288,630
Commissions and advances . . . . .	289,282	385,757
Premium taxes . . . . .	32,135	30,055
Salaries . . . . .	148,883	148,631
Other operating expenses . . . . .	330,481	317,283
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	1,877,665	1,757,650
	<hr/>	<hr/>
	262,301	15,555
PROVISION FOR INCOME TAXES . . . . .	73,500	22,650
	<hr/>	<hr/>
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM . . . . .	188,801	(7,095)
EXTRAORDINARY ITEM (Note 6) . . . . .	50,000	—
	<hr/>	<hr/>
NET INCOME (LOSS) FOR THE YEAR . . . . .	\$ 238,801	\$ (7,095)

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA

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SUMMARY OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1970

SURPLUS—BEGINNING OF YEAR

	1970	1969
As previously reported . . . . .	\$1,294,315	\$1,368,626
Adjustments of prior year's income (Note 5) . . . . .	77,500	—
<hr/>	<hr/>	<hr/>
As restated . . . . .	1,216,815	1,368,626
Net income (loss) for the year . . . . .	238,801	(7,095)
<hr/>	<hr/>	<hr/>
	1,455,616	1,361,531
<hr/>	<hr/>	<hr/>
Dividends . . . . .	49,194	49,184
Segregated investment fund . . . . .	—	50,000
Increase in investment reserve (Note 1) . . . . .	9,002	45,532
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	58,196	144,716
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SURPLUS—END OF YEAR . . . . .	<u>\$1,397,420</u>	<u>\$1,216,815</u>

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Income Disability and Reinsurance Company of Canada as at December 31, 1970 and the related summaries of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records as we considered necessary in the circumstances. The claims reserve and other actuarial liabilities have been determined and certified by the consulting actuary to the company.

In our opinion, based upon our examination and upon the certificate of the consulting actuary, these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations for the year then ended, in accordance with accounting practices appropriate to the insurance laws of Canada, applied on a basis consistent with that of the preceding year.

Hamilton, Ontario,  
February 8, 1971.

MCDONALD, CURRIE & CO.,  
Chartered Accountants.

**INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA**

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**DIRECTORS**

WILLIAM N. ALLAN	Toronto
N. J. BLAIR, M.D.	Vancouver
CHARLES P. FLOOD	Hamilton
WILLIAM R. LATIMER, Q.C.	Toronto
WILSON J. LEE	Edmonton
CHARLES A. READ, C.A.	Winnipeg
B. ROSENBLATT	Hamilton
DONALD G. ROSS	Toronto
HALLIWELL SOULE, Q.C.	Hamilton

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**OFFICERS**

CHARLES P. FLOOD	President
F. PAUL KEEFE, C.A.	Secretary and Treasurer

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AUDITORS

McDonald, Currie & Co. Hamilton

BANKERS

Royal Bank of Canada Hamilton

CONSULTING ACTUARIES

Murray G. Bulger & Associates Limited Toronto

INVESTMENT ADVISORS

Fry Investment Management Limited Toronto

TRANSFER AGENT

Hamilton Trust and Savings Corporation Hamilton

LISTED ON

Toronto Stock Exchange

HEAD OFFICE

105 Main Street East

Hamilton

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